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Report Highlights:

U.S. market share of wheat imports has been recovering the last three years and market share is expected to show a modest increase in 2007. Rice production is estimated to increase by 5 percent in 2007 as a result of GOV incentives for primary grain and cereal producers. Corn trade continues to be stymied by import licenses associated with absorption of domestic white corn. Venezuela is currently self-sufficient in sorghum production.

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Executive Summary

Fueled by increases in oil prices, the Venezuelan economy has been experiencing a period of growth resulting in increased grain consumption. For years, the government of Venezuela (GOV) has been announcing several plans to increase domestic production with limited success, leaving ample space for imports of some commodities.

Wheat: Venezuela is heavily dependent on imports of wheat for domestic flour milling activities. Consistent with the growth in the economy and confirmed by industry sources, wheat consumption in Venezuela has been increasing in the last three years. Per capita consumption is in the order of 56 kilos per year. The US has been recovering its market share during the last three years. For 2007 Post estimates total wheat imports to increase slightly to 1,585,000 MT since wheat products are important in the country's diet and price controls keep these products within the reach of most citizens.

Rice: Contrary to what Post estimated last year, industry figures indicate an increase in rice production in 2006 to 490,000 MT. In 2007, these increases are expected to continue and production is estimated to grow about 5 percent, due largely to a set of new policies that the GOV is implementing. Within the framework of the Planting Plan, the government is putting in place a subsidy of 73 bolivars per kilo (\$ 0.033) for primary producers and has established a controlled price for fertilizers.

Corn: As a consequence of the National Planting Plan, domestic corn production has been increasing during the last years above human consumption, leaving the remaining 35 percent of the 2006 crop, about 665,000 MT, to supply the animal feed industry. Yellow corn imports for the feed industry are becoming more and more restricted. Although talks are being held between the government and the feed industry, the process of issuance on import licenses remains controversial and uncertain, tied to local purchases. In 2006 only 150,000 MT of imported yellow corn was allowed to enter for the industrial production of cornstarch. For 2007 Post estimates an increase of yellow corn imports to 200,000 MT based on conversations with the local feed industry.

Sorghum: Domestic sorghum production entirely satisfies demand for this grain. Venezuela has a tariff rate quota for sorghum set at 1,114,290 tons, based on its imports during the 1980's; but the country has rarely imported any sorghum since 1988. Sorghum maintains a modest domestic production despite low yields. Given the government obligation to buy domestically produced grains for manufactured feed, Venezuela would not be a prime target for U.S. grain sorghum, especially as long as the Ministry of Agriculture and Lands promotes and sustains domestic sorghum production.

WHEAT

Production

Wheat production in Venezuela is negligible. Only a small amount for local consumption is produced in the western Andean part of the country. Venezuela does not have a favorable climate to produce large amounts of wheat; returns per hectare are more attractive for corn, rice, and sorghum.

There are ten milling companies in Venezuela, eight national and two multinational. Total installed capacity in Venezuela is 1.9 MT, of which 1.6 MT are being used. All of the wheat milled is imported. Venezuelan milling capacity is highly concentrated: two groups control an estimated 57 per cent of the installed capacity.

The largest milling group is Cargill of Venezuela with an estimated capacity of 2,210 tons per day. The second largest group is MONACA with an estimated capacity of 1,360 tons per day. The third largest group is MOCASA. The other millers include, MOSACA, MOLVENCA, MOHICA and MOLGUACA. There are 14 pasta-manufacturing plants, 6,832 non-industrial bakeries, 17 industrial bakeries and 13 cracker-manufacturing plants.

Consumption

Consistent with the growth in the economy and confirmed by industry sources, wheat consumption in Venezuela has been increasing in the last three years. Per capita consumption is on the order of 56 kilos per year. Wheat products constitute an important part of the country's diet and price controls keep them within the reach of most citizens.

Pasta remains a preferred staple in the Venezuelan diet, and pasta consumption continues to be one of the highest in the world at 13.6 kilos per capita. Pasta occupies third place among the most consumed food products in Venezuelan. Bread and roll consumption is around 36 kilos per capita per year and cakes, cookies and crackers consumption is 6.5 kilos per capita per year.

Government plays an important role in the distribution of pasta through the MERCAL food chain, which represents about 30 percent of the market. However, it forces contractual conditions on private suppliers, which are far from optimal, with volume and delivery times subject to frequent changes.

Total wheat consumption in 2006 was 1,565,000 MT. Total wheat consumption is expected to increase up to 1,569,000 MT in 2007. It is also expected to make another gain in 2008, since pasta and bread constitute low-cost basic staples of the Venezuelan diet and they are a good alternate protein source for impoverished Venezuelans.

Price Controls on Food:

In February 2003, the Government of Venezuela imposed price controls on 163 basic food items in attempt to slow inflation as well as to keep basic food commodities within the reach of poor consumers. However, these controls have frequently created supply shortages as producers claim that prices are set below production costs. The current controlled price for one kilo of pasta is set at 1,740 bolivars per kilogram (\$88 cents/kg). Local industry has been requesting the GOV to review the price of pasta, bread and wheat flour, as the international price for wheat has experienced increases between 25 and 30 percent, depending on the origin and variety of the wheat.

Trade

Venezuela imports almost 100 percent of its wheat requirements, with the traditional suppliers being the United States and Canada. Total imports were in the order of 1,584,000

tons during 2006. An undetermined amount appears to be used for animal feed. Post estimates total imports to increase slightly to 1,585,000 tons in 2007.

Wheat importers have been experiencing problems with CADIVI, the government agency in charge of controlling currency exchange, during the last four months. In order to get approval for foreign currency transactions, the importers need to obtain a certificate of non-production, or insufficient-production, at the Venezuelan Ministry of Light Industries and Commerce. However, public outcry may force the Government to adopt a more expeditious policy in order to bring in imports.

The delays in obtaining the approval for dollars have put importers in a situation of negligent delay with international suppliers to whom Venezuelans importers have to pay interest. To date, the Venezuelan wheat milling companies owe about \$ 144 million to U.S. and Canadian suppliers because delays at CADIVI have impeded the liquidation of their obligations. Requests and transfers of dollars have been withheld by CADIVI for more than 60 days, and in some cases for 180 days.

The industry has been administering wisely the wheat stocks for the last four months to avoid problems in demand for wheat products. If this problem is not resolved soon, it could generate a scarcity of wheat products in the market.

Canada has behaved as an aggressive wheat supplier in Venezuela. However, U.S. market share is estimated to continue increasing in Venezuela in the period 2007/08. The main concern of some Venezuelan buyers continues to be the dockage content of U.S. origin wheat as compared to Canadian spring and durum wheat.

Marketing

Despite the political uncertainty in Venezuela, U.S. Wheat Associates has done an excellent job sustaining and improving relationships with their clients in this country, providing technical advice, marketing assistance and supporting the Latin American Milling School (ESLAMO).

RICE

Production

Venezuela is self-sufficient in rice production. Venezuela produces enough rice to supply the domestic market and to export small surpluses to neighboring countries.

According to rice industry sources, total area harvested in 2006 reached 165,000 hectares and it is expected to increase to 170,000 hectares in 2007 due to a set of new policies that the government is implementing for this sector. Within the framework of the Planting Plan, the government is putting in place a subsidy of 73 bolivars (\$ 0.033) per kilo for primary producers. There is also a subsidy for fertilizers.

Contrary to what Post estimated last year, industry figures indicate an increase in production in 2006. Milled rice production in 2005 was 439,000 MT increasing to 490,000 MT in 2006. In 2007 the same trend is expected to continue and production is estimated to grow about 5 percent, reaching 515,100 of total milled production.

The rice milling industry in Venezuela operates 47 mills but only 35 are currently active. Total installed capacity for paddy rice is estimated to be around 882,028 MT per year and idle capacity in 2005 was 51.87 percent. The milling industry in Venezuela is prepared to work

three shifts; however, most facilities operate only two shifts per day. Many companies have not invested to modernize.

Consumption

Rice is a traditional food and an important staple in the Venezuelan diet, yet per capita consumption is relatively low at an estimated 16 kg in 2006. Total rice consumption in 2005 was revised to 422,000 MT. Total consumption in 2006 increased to 520,000 MT due, in part, to the government's food programs and because of the controlled retail prices. Post estimates that consumption will increase to 530,000 MT in 2007.

Roughly 10 percent of rice consumption is for feed use. The government food chain, Mercal, as well as other government food social programs represents 45 percent of the total rice market; only a few big companies that can afford to sell rice at the lower prices required by these government outlets actually supply them.

Trade

Traditionally, Venezuela has been a net exporter of rice, sending about 10 percent of its rice crop annually to Colombia. However, Colombia tries to protect its domestic production by applying measures to restrain rice imports from Venezuela. Central American and Caribbean countries, which are not self-sufficient in rice, are also natural markets for the Venezuelan rice; some small amount of exports usually goes to those markets.

Marketing

There will likely be no rice imports in the near future because of new production policies that favor domestic production. Whenever imports are needed, CASA, the government food-purchasing agency, takes care of them, as they did back in 2003 when a rice shortage occurred due to a severe drought in the major irrigation district in Venezuela where rice is grown.

CORN

Production

Corn is the main crop of Venezuela. Area harvested figures for 2006 have been revised to 600,000 hectares. According to the National Producers Association, Fedegro, the corn harvest in 2006 was extraordinary as a result of the heavy rains during the planting season and government incentives to corn producers. Corn production in 2006 reached 1,900,000 MT of which about 70 percent is white corn.

Historically, domestically produced white corn was only used for human consumption, and the little yellow corn locally produced plus yellow corn imports were diverted to feed consumption. However, this situation has been changing, and in the last three years only domestic corn, both yellow and white, has been used in feed formulation.

As a result of the policies that the GOV has been implementing for the corn sector, local production is estimated to increase to 1,950,000 MT in 2007. Post also forecasts an increase to about 2,000,000 MT in 2008.

Area planted for corn is not expected to grow in 2007. However, better yields are expected to improve as a result of Government incentives. Recently fertilizers, as well as their raw materials, were decreed by the GOV as basic products, allowing producers to purchase urea more cheaply than in the past.

Consumption

White corn is a staple on the Venezuelan diet. White corn crop is traditionally purchased by the corn flour industry for producing a pre-cooked corn flour for human consumption; however, it is also being used in animal feed formulation.

Consumption of corn flour has increased over the past four years in response to declining real incomes, since corn flour is cheaper relative to other food products. In addition, the price of corn flour is now subject to controls. Government is supplying corn flour at the fixed price, or even below that level, at its distribution food chain, MERCAL.

In 2006 total corn consumption was 2,050,000 MT. Consumption is estimated to grow to 2,150,000 MT in 2007 and it is expected to increase further to 2,250,000 MT in 2008. This growth in corn consumption is due to increases in the production of poultry and swine, as well as in corn flour for human consumption.

Trade

Animal feed consumption in this country used to be based on imported yellow corn. In recent years, however, corn imports have been severely battered by government import restrictions, associated with domestic absorption policies and Brazilian poultry imports by CASA.

Yellow corn imports for the feed industry are becoming more and more restricted. Although talks are being held between the government and the feed industry, the process of issuance of import licenses remains controversial and uncertain, tied to local purchases. According to industry sources, about 100,000 tons of imported yellow corn may be needed for June, but no licenses have been granted so far.

Venezuela has a tariff rate quota for corn set at 583,459 tons with an in-quota rate of 20 percent. The out-of-quota rate is based on the Andean price band. Numerous importers have stated that they cannot get access to import licenses for either in-quota or the out-of-quota quantities.

Over the past three years, the Venezuelan animal feed industry has had to resort to several ingenious strategies in order to formulate feeds for the poultry and pork sectors. Substitute products, that do not require import licenses, have reportedly included feed wheat, broken rice, cracked corn, corn gluten feed and meal, human-grade corn and soybean oil, cookie meal and other assorted feed ingredients as industrial by-products such as DDGs (distiller dried grains with soluble). These assorted products have been able to replace a large part of what would normally have been corn imports. However, as per industry sources, the intention of the GOV in the near future is to restrict the entrance of these products using technical barriers to trade.

In the past, the United States was the major yellow corn supplier to Venezuela, shipping over a million tons annually, but corn imports have been progressively decreasing in the last three years. In 2006 only 150,000 MT of corn was allowed to enter for the industrial production of cornstarch. For 2007 Post estimates a slight increase of yellow corn imports to 200,000 MT based on conversations with the local feed industry. Yellow corn imports in 2008 are expected to reach 250,000 MT.

Shortages and scarcity of many food products have recently occurred in the market as a result of controlled prices and restriction on imports. According to industry sources, the GOV is worried that shortages of poultry or swine products may occur, or problems related with El Niño could affect the domestic corn crop. In that sense, the GOV may be open to issuing some licenses for yellow corn imports, in an attempt to protect and reinforce their "food

security" policy. Industry sources also indicate that the GOV is concerned about the future of the U.S. corn supply due to the production of ethanol.

Marketing

Due to import license restrictions, users have had to experiment with a variety of feed ingredients, some successfully and some not so successfully. In this atmosphere of improvisation, continued trade servicing, technical support, and marketing assistance are important in order to maintain and improve client loyalty and satisfaction.

SORGHUM

Production

Sorghum is an important crop for certain dry areas in the southern part of the country, especially in Guarico and Portuguesa States. Since 2005, sorghum harvest has been affected due to the fall in the prices of the product as well as weather factors. Intense rains that occurred between November and December 2006 reached levels above the historical average, affecting the area harvested of this crop and consequently lowering production to 350,000 MT.

Sorghum production is expected to increase in 2007 to 370,000 tons as a result of government incentives. As mentioned above, the government is offering a subsidy of 73 bolivars per kilo (\$ 0.033) to cereal producers, as a part of the Planting Plan. Post is also forecasting an increase in area and yield for 2008.

Consumption

Grain sorghum mainly goes to poultry and swine feed in Venezuela. Sorghum consumption is estimated to increase to 365,000 MT in 2007 as a result of the government incentives.

Trade

Venezuela is self-sufficient in sorghum production. Venezuela used to export about 10,000 tons to Colombia; however it is not expected to export next year due to the pressure of farmers to consume the product domestically.

The Venezuelan government has been consistently opposed to sorghum imports and we do not expect that policy to change. Small amounts of sorghum seed for planting may be imported.

Marketing

Given the enforcement of the government and producers to buy domestic produced grains for manufacturing feed, Venezuela would not be a prime target for U.S. grain sorghum, especially as long as the Ministry of Agriculture and Lands promotes and sustains domestic sorghum production.

PSD TABLE – WHEAT

Venezuela Wheat										
	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		07/2006	07/2006		07/2007	07/2007		07/2008	07/2008	MM/YY
Area Harvested	0	0	0	0	0	0	0	0	0	(1000 HA)
Beginning Stocks	75	80	75	0	90	84	0	0	90	(1000 MT)
Production	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Imports	1600	1410	1584	0	1415	1585	0	0	1590	(1000 MT)
TY Imports	1600	1400	1584	0	1405	1585	0	0	1590	(1000 MT)
TY Imp. from U.S.	0	825	971	0	825	978	0	0	980	(1000 MT)
Total Supply	1675	1490	1659	0	1505	1669	0	0	1680	(1000 MT)
MY Exports	10	10	10	0	10	10	0	0	10	(1000 MT)
TY Exports	10	10	10	0	10	10	0	0	10	(1000 MT)
Feed Consumption	0	0	0	0	0	0	0	0	0	(1000 MT)
FSI Consumption	1590	1390	1565	0	1405	1569	0	0	1575	(1000 MT)
Total Consumption	1590	1390	1565	0	1405	1569	0	0	1575	(1000 MT)
Ending Stocks	75	90	84	0	90	90	0	0	95	(1000 MT)
Total Distribution	1675	1490	1659	0	1505	1669	0	0	1680	(1000 MT)
Yield	0	0	0	0	0	0	0	0	0	(MT/HA)

PSD TABLE – RICE

Venezuela Rice, Milled										
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2005	01/2005		01/2006	01/2006		01/2007	01/2007	MM/YYYY
Area Harvested	157	157	157	145	147	165	0	0	170	(1000 HA)
Beginning Stocks	169	102	169	218	106	170	0	0	140	(1000 MT)
Milled Production	439	439	439	390	391	490	0	0	515	(1000 MT)
Rough Production	647	647	647	575	576	722	0	0	759	(1000 MT)
Milling Rate (.9999)	6786	6786	6786	6786	6786	6786	0	0	6786	(1000 MT)
MY Imports	40	5	40	40	60	60	0	0	60	(1000 MT)
TY Imports	40	5	40	80	60	60	0	0	60	(1000 MT)
TY Imp. from U.S.	0	1	4	0	40	8	0	0	8	(1000 MT)
Total Supply	648	546	648	648	557	720	0	0	715	(1000 MT)
MY Exports	20	20	56	60	20	60	0	0	65	(1000 MT)
TY Exports	60	20	56	20	20	60	0	0	65	(1000 MT)
Total Consumption	410	420	422	420	422	520	0	0	530	(1000 MT)
Ending Stocks	218	106	170	168	115	140	0	0	120	(1000 MT)
Total Distribution	648	546	648	648	557	720	0	0	715	(1000 MT)
Yield (Rough)	4.121019	4.121019	4.121019	3.965517	3.918367	4.375758	0	0	4.464706	(MT/HA)

PSD TABLE – CORN

Venezuela Corn										
	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		10/2006	10/2006		10/2007	10/2007		10/2008	10/2008	MM/YYYY
Area Harvested	500	500	600	0	500	600	0	0	610	(1000 HA)
Beginning Stocks	181	120	181	0	120	181	0	0	181	(1000 MT)
Production	1600	1600	1900	0	1600	1950	0	0	2000	(1000 MT)
MY Imports	200	240	150	0	300	200	0	0	250	(1000 MT)
TY Imports	200	250	150	0	300	210	0	0	0	(1000 MT)
TY Imp. from U.S.	0	250	136	0	300	170	0	0	0	(1000 MT)
Total Supply	1981	1960	2231	0	2020	2331	0	0	2431	(1000 MT)
MY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Feed Consumption	700	593	800	0	650	850	0	0	900	(1000 MT)
FSI Consumption	1100	1247	1250	0	1250	1300	0	0	1350	(1000 MT)
Total Consumption	1800	1840	2050	0	1900	2150	0	0	2250	(1000 MT)
Ending Stocks	181	120	181	0	120	181	0	0	181	(1000 MT)
Total Distribution	1981	1960	2231	0	2020	2331	0	0	2431	(1000 MT)
Yield	3.2	3.2	3.166667	0	3.2	3.25	0	0	3.278689	(MT/HA)

PSD TABLE – SORGHUM

Venezuela Sorghum										
	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		10/2006	10/2006		10/2007	10/2007		10/2008	10/2008	MM/YYYY
Area Harvested	185	180	165	0	185	170	0	0	180	(1000 HA)
Beginning Stocks	41	32	41	0	37	41	0	0	41	(1000 MT)
Production	375	370	350	0	375	370	0	0	375	(1000 MT)
MY Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	416	402	391	0	412	411	0	0	416	(1000 MT)
MY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Feed Consumption	370	360	345	0	375	365	0	0	370	(1000 MT)
FSI Consumption	5	5	5	0	-5	5	0	0	5	(1000 MT)
Total Consumption	375	365	350	0	370	370	0	0	375	(1000 MT)
Ending Stocks	41	37	41	0	42	41	0	0	41	(1000 MT)
Total Distribution	416	402	391	0	412	411	0	0	416	(1000 MT)
Yield	2.027027	2.055556	2.121212	0	2.027027	2.176471	0	0	2.083333	(MT/HA)